KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

GENERAL INFORMATION

MAYOR / SPEAKER

Cllr. Vuso MS

OTHER MEMBERS OF THE COUNCIL

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street
Kareedouw
3170

Private Bag X11
Kareedouw
3170

GRADING OF THE LOCAL AUTHORITY

Grade 1

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

ABSA Bank Ltd

Accounting Officer

Nkuhlu S

KOU-KAMMA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

MEMBERS OF THE COUNCIL

COUNCILLORS

Cllr. Goni P
Cllr. Jacobs S
Cllr. Jantjies B
Cllr. Krige R
Cllr. Mntambo N
Cllr. Smith K
Cllr. Nelson L
Cllr. Pottie N
Cllr. Rheeders C
Cllr. Strydom F

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Nkuhlu S
MUNICIPAL MANAGER
Date

KOU-KAMMA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

AUDIT REPORT

2013/2014 Audit report

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual 2014 R	Actual 2013 R
ASSETS			
Current Assets		**24 612 586**	**22 235 204**
Inventories	**2**	762 426	846 972
Receivables from Exchange Transactions	**3**	5 491 873	3 544 845
Receivables from Non-exchange Transactions	**4**	8 902 489	12 038 344
VAT Receivable	**5**	1 167 520	234 141
Cash and Cash Equivalents	**6**	8 288 278	5 570 902
Non-Current Assets		**322 644 237**	**316 430 514**
Property, Plant and Equipment	**7**	296 530 008	290 350 203
Intangible Assets	**8**	737 721	668 852
Investment Property	**9**	25 376 508	25 411 459
Total Assets		**347 256 823**	**338 665 718**
LIABILITIES			
Current Liabilities		**32 102 080**	**23 687 630**
Consumer Deposits	**10**	104 700	104 700
Current Portion of Long-term Liabilities	**14**	201 844	260 444
Provisions	**11**	673 336	673 336
Payables from Exchange Transactions	**12**	26 361 068	17 047 005
Unspent Conditional Grants and Receipts	**13**	4 761 132	5 602 145
Non-Current Liabilities		**2 904 228**	**2 864 846**
Employee Benefit Liabilities	**14**	1 737 177	1 747 619
Non-current Provisions	**15**	1 167 051	1 117 227
Total Liabilities		**35 006 308**	**26 552 476**
Net Assets		**312 250 515**	**312 113 242**
NET ASSETS		**312 250 517**	**312 113 242**
Accumulated Surplus	**16**	312 250 517	312 113 242
Total Net Assets		**312 250 517**	**312 113 242**

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	2013 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	**17**	13 285 401	13 443 080
Fines		656 437	485 531
Licences and Permits		5 611	1 361 505
Government Grants and Subsidies Received	**18**	95 278 270	74 523 182
Revenue from Exchange Transactions			
Service Charges	**19**	22 049 162	17 684 104
Rental of Facilities and Equipment	**20**	453 083	130 775
Interest Earned - External Investments	**21**	710 367	597 258
Other Revenue	**22**	3 064 319	1 735 838
Total Revenue		**135 502 650**	**109 961 273**
EXPENDITURE			
Employee Related Costs	**23**	(33 057 211)	(30 798 779)
Remuneration of Councillors	**24**	(2 768 281)	(2 538 907)
Depreciation and Amortisation	**25**	(18 907 196)	(19 853 506)
Bad debts		(11 504 090)	(5 969 453)
Repairs and Maintenance		(1 166 802)	(1 349 934)
Finance Costs	**26**	(346 188)	(466 314)
Bulk Purchases	**27**	(2 737 927)	(2 579 140)
Contracted Services	**28**	(2 844 719)	(2 853 560)
Grants and Subsidies Paid	**29**	(45 060 716)	(39 008 641)
General Expenses	**30**	(16 624 061)	(19 462 013)
Loss on Disposal of Property, Plant and Equipment		(348 184)	(464 136)
Debt impairment recognised		-	(13 032 002)
Total Expenditure		**(135 365 375)**	**(138 376 385)**
SURPLUS / (DEFICIT) FOR THE YEAR		**137 275**	**(28 415 112)**

Refer to Statement of Comparision of Budget and Actual amounts for explanation of budget variances

Kou-Kamma Municipality

APPENDIX E

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2014

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
	1	2	4	5	6	7		8	9	
	R	R	R	R	R	R		R	R	
Financial Performance										
Property Rates	14 395 517	-	14 395 517	13 285 401		(1 110 116)	-8%	92%	92%	
Service Charges	20 907 483	412 070	21 319 553	22 049 162		729 609	3%	103%	105%	
Rental of Facilities and Equipment	108 047	28 695	136 742	453 083		316 341	231%	331%	419%	**N1**
Investment Revenue	705 030	(52 173)	652 857	710 367		57 510	9%	109%	101%	
Fines	4 000 000	(3 400 000)	600 000	656 437		56 437	9%	109%	16%	
Licences and Permits	4 160 674	(4 158 488)	2 186	5 611		3 425	157%	257%	0%	**N1**
Government grants and subsidies	58 652 997	40 226 392	98 879 389	95 278 270		(3 601 119)	-4%	96%	162%	
Other Own Revenue	4 558 931	7 895 041	12 453 972	3 064 319		(9 389 653)	-75%	25%	67%	**N2**
Total Revenue (Excluding Capital Transfers & Contributions)	107 488 679	40 951 537	148 440 216	135 502 650	-	(12 937 566)	-9%	91%	126%	
Employee Costs	36 499 794	(3 649 011)	32 850 783	33 057 211		206 428	1%	101%	91%	
Remuneration Of Councillors	2 768 733	(1)	2 768 732	2 768 281		(451)	0%	100%	100%	
Debt Impairment	2 580 422	7 733 001	10 313 423	11 504 090	1 190 667	1 190 667	12%	112%	446%	**N3**
Depreciation & Asset Impairment	3 964 061	(17 978)	3 946 083	18 907 196	14 961 113	14 961 113	379%	479%	477%	**N4**
Finance Charges	150 113	(99 868)	50 245	346 188		295 943	589%	689%	231%	**N1**
Materials & Bulk Purchases	4 256 215	(1 408 804)	2 847 411	2 737 927		(109 484)	-4%	96%	64%	
Repairs and Maintenance	1 823 667	(756 425)	1 067 242	1 166 802		99 560	9%	109%	64%	
Contracted Services	3 539 090	(561 708)	2 977 382	2 844 719		(132 663)	-4%	96%	80%	
Transfers & Grants	4 739 000	30 219 671	46 654 835	45 060 716		(1 594 119)	-3%	97%	951%	
Other Expenditures	29 745 126	(598 039)	17 450 923	16 624 061		(826 862)	-5%	95%	56%	
Loss on disposal of asset	-	-	-	341 184		348 184	0%	0%	0%	
Total Expenditure	90 066 221	30 860 838	120 927 059	135 365 375	16 151 780	14 438 316	12%	112%	150%	
Surplus/(Deficit)	17 422 458	10 090 699	27 513 157	137 275	(16 151 780)	(27 375 882)	-100%	0%	1%	
Transfers Recognised - Capital	17 935 176	13 524 061	31 459 237	26 890 536		(4 568 701)	-15%	85%	150%	**N5**
Contributions Recognised - Capital & Contributed Assets	-	-	-	-	-	-	0%	0%	0%	
Surplus/(Deficit) After Capital Transfers & Contributions	35 357 634	23 614 760	58 972 394	27 027 811	(16 151 780)	(31 944 583)	-54%	46%	76%	
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-	-	0%	0%	0%	
Surplus/(Deficit) For The Year	35 357 634	23 614 760	58 972 394	27 027 811	(16 151 780)	(31 944 583)	-54%	46%	76%	

Notes and Legends:

N1 This amount is not considered to be material hence no further explaination is required.

N2 The difference is due to provision made for the recoverablilty of long outstanding debt of R 4.6 million, together with a R 2 million budget for the sale of land which did not materialise. A Vat refund of R 3.4 million was budgeted for however the actual at refund was allocated to a government grant and subsidies. Therefore the total actual amount recieved exceeds the budgeted revenue after taking into account these changes.

N3 The total amount provided exceeded the budgeted amount due to the non recoverability of long outstanding debt recalculated at year end.

N4 Due to the unbundeling of assets in the current year the true value of depreciation was not known at the date of drafting the budget.

N5 Disaster funding of R 8.4 millon was received in February 2014, and could not be fully spent due to time constraints. Council applied for the roll over of funding to the value of R 2.2 million. Funding for housing of R 1.2 million and flood relief of R 1.9 million was received and not yet spent at year end due to the contractors not submitted their claims timeously.

KOU-KAMMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Accumulated Surplus / (Deficit)	Total
	R	R
2013		
Balance at 30 June 2012	340 528 354	340 528 354
(Deficit) for the year	(28 415 112)	(28 415 112)
Balance at 30 June 2013	**312 113 242**	**312 113 242**
2014		
Balance at 30 June 2013	**312 113 242**	**312 113 242**
Surplus for the year	137 275	137 275
Balance at 30 June 2014	**312 250 517**	**312 250 517**

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		35 996 611	32 974 220
Government Grant and Subsidies	**18**	95 278 270	74 523 182
Interest Received	**21**	710 367	597 258
Other Receipts		3 517 402	1 866 613
Payments			
Payments to Suppliers and employees			
Employee Related Costs	**23**	(33 057 211)	(33 337 686)
Remuneration of Councillors	**24**	(2 768 281)	-
Interest Paid	**27**	(346 188)	(466 314)
Suppliers Paid		(68 299 770)	(62 308 298)
Other Payments		(2 844 719)	(2 853 560)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**32**	**28 186 481**	**10 995 415**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**7**	(25 168 587)	(11 668 797)
Purchase of Intangible Assets	**8**	(352 570)	(166 305)
Purchase of Investment Property	**9**		-
Proceeds on Disposal of Property, Plant and Equipment		52 052	165 644
Movement in unspent conditional grants assets			979 836
Proceeds on Disposal of Investment Property		-	-
Profit on Sale of Land			-
Decrease / (Increase) in Non-current Investments	**N/A**	-	-
Decrease / (Increase) in Investments in Associates	**N/A**		
Decrease / (Increase) in Long-term Receivables	**N/A**	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(25 469 105)**	**(10 689 622)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		-	-
Repayment of Borrowings		-	-
Increase in consumer deposits	**11**	-	-
Increase / (Decrease) in Short-term Loans		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	**6**	**2 717 377**	**305 793**
Cash and Cash Equivalents at Beginning of Period		5 570 902	5 265 109
Cash and Cash Equivalents at End of Period		8 288 278	5 570 902

KOUKAMMA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2-1 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments.*

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* , and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 Defined Benefit Plan Liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 15 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Koukamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehibilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 32 Service concession arrangements grantor
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory recievables

All listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, other than investment property, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset at acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		**Years**
Infrastructure		***Buildings***	*30 - 60*
Roads and Paving	10 - 100		
Electricity	45 - 50	***Other***	
Water	15 - 100	Specialist Vehicles	5 - 30
Landfill Sites	7 - 50	Other Vehicles	5 - 15
		Office Equipment	2 - 17
Community		Furniture and Fittings	7 - 10
Recreational Facilities	15 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

2. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2013, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognized as an asset where, and only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4. 2 Subsequent Measurement

4. 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
▪ to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

5. 2. Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

The amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8. REVENUE RECOGNITION

8. 1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered , the value of which approximates the consideration received or receivable.

8. 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8. 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8. 1. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8. 1. 4 Tariff Charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8. 1. 5 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8. 1. 6 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8. 2 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. 2. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8. 2. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

0 2. 3 Revenue from conditional grants, building and funding

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8. 2. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. PROVISIONS

Provisions are recognised when:

- The municipality has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10. EMPLOYEE BENEFITS

10. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10. 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10. 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10. 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11. LEASES

Lease Classification
Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured at lower of fair value of the asset or the PV of the minimum lease payments, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

13. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

18. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

19. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

20. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

21. COMPARATIVE INFORMATION

21. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

21. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

21. 3 Budget Information

The annual budget figures for the period 1 July 2013 to 30 June 2014 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

23. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

24. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

	2014 R	2013 R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Cacadu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Store	726 142	819 400
Water - at cost	36 284	27 572
Total Inventories	**762 426**	**846 972**

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Service Debtors:	31 081 048	23 052 817
Electricity	184 585	202 967
Refuse	5 695 477	4 333 216
Sewerage	12 008 384	8 894 843
Water	13 192 601	9 621 791
Other Receivables	133 089	116 574
Housing	120 166	98 000
Loan installments	12 924	18 574
Less: Provision for Impairment	(25 722 264)	(19 624 546)
Electricity	(175 356)	(190 553)
Water	(10 650 981)	(7 999 684)
Sewerage	(10 105 303)	(7 701 819)
Refuse	(4 690 776)	(3 652 846)
Housing rental	(80 168)	(68 871)
Loan installments	(19 680)	(10 773)
Total Receivables from Exchange Transactions	**5 491 873**	**3 544 845**

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

Electricity		
Current (0 -30 days)	4 104	7 578
31 - 60 days	8 272	3 833
61 - 90 days	3 038	3 646
91 - 120 days	3 560	4 067
+120 days	165 611	183 843
Allowance for debt impairment	(175 356)	(190 553)
	9 229	**12 414**

	2014 R	2013 R
Water		
Current (0 -30 days)	416 211	637 720
31 - 60 days	1 079 519	368 950
61 - 90 days	662 230	342 413
91 - 120 days	346 469	320 898
+120 days	10 688 173	7 951 810
Allowance for debt impairment	(10 650 981)	(7 999 684)
	2 541 620	**1 622 107**
Sewerage		
Current (0 -30 days)	315 354	602 133
31 - 60 days	586 660	341 554
61 - 90 days	285 718	286 090
91 - 120 days	282 686	286 540
+120 days	10 537 966	7 378 526
Allowance for debt impairment	(10 105 303)	(7 701 819)
	1 903 081	**1 193 024**
Refuse		
Current (0 -30 days)	163 931	291 589
31 - 60 days	292 937	162 042
61 - 90 days	140 098	140 884
91 - 120 days	137 575	140 555
+120 days	4 960 937	3 598 145
Allowance for debt impairment	(4 690 776)	(3 652 845)
	1 004 701	**680 370**
Housing rental		
Current (0 -30 days)	10 141	926
31 - 60 days	14 228	378
61 - 90 days	378	378
91 - 120 days	369	378
+120 days	95 049	95 939
Allowance for debt impairment	(80 186)	(68 870)
	39 980	**29 129**
Loan installments		
Current (0 -30 days)	761	-
31 - 60 days	1 521	-
61 - 90 days	761	-
91 - 120 days	761	-
+120 days	19 416	18 574
Allowance for debt impairment	(19 680)	(10 773)
	3 539	**7 801**

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	(19 624 546)	(11 321 719)
(Allowance raised) reversal of allowance	(10 205 086)	(8 302 827)
Amounts written off as uncollectable	4 107 368	-
Balance at end of year	**(25 722 264)**	**(19 624 546)**

	2014 R	2013 R

Receivables from exchange transactions past due but not impaired

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered fr impairment, in terms of GRAP 104, however none were impaired. At 30 June 2014, R 3 478 798 (2013: R 3,307,591) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 159 049	1 226 188
2 months past due	1 325 331	1 055 288
3 months past due	994 419	1 026 115
	3 478 798	**3 307 591**

No debtors were pledged as security.

3.2 Ageing of impaired Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	910 501	1 983 138	1 092 222	27 238 571	31 224 432
Less: Provision for Impairment	-	-	-	(25 722 264)	(25 722 264)
Net Balances	**910 501**	**1 983 138**	**1 092 222**	**1 516 308**	**5 502 168**

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	1 539 946	876 757	773 411	19 979 275	23 169 389
Less: Provision for Impairment				(19 624 544)	(19 624 544)
Net Balances	**1 539 946**	**876 757**	**773 411**	**354 731**	**3 544 845**

	2014 R	2013 R

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	17 007 765	(8 213 773)	8 793 992
Other recievables from non exchange transactions	108 497		108 497
Total Receivables from Non-exchange Transactions	**17 116 262**	**(8 213 773)**	**8 902 489**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	15 466 393	(8 095 710)	7 370 682
Other recievables from non exchange transactions	4 667 661	-	4 667 661
Total Receivables from Non-exchange Transactions	**20 134 054**	**(8 095 710)**	**12 038 343**

Prior year Receivables from Non-Exchange Transactions has been restated for the Provision for impairment. Refer to Note

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National /

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	388 780	546 382	233 109	15 839 494	17 007 765
Less: Provision for Impairment	-	-	-	(8 213 773)	(8 213 773)
Net Balances	**388 780**	**546 382**	**233 109**	**7 625 721**	**8 793 992**
Other recievables from non exchange transations:					
Gross Balances	108 497	-	-	-	108 497
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**108 497**	**-**	**-**	**-**	**108 497**

				2014 R	2013 R
As at 30 June 2013					
	Current	**Past Due**			**Total**
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	528 281	349 340	281 876	14 306 805	15 466 302
Less: Provision for Impairment				(8 095 710)	(8 095 710)
Net Balances	**528 281**	**349 340**	**281 876**	**6 211 095**	**7 370 592**
Other recievables from non exchange transations:					
Gross Balances	4 667 661	-	-	-	4 667 661
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**4 667 661**	**-**	**-**	**-**	**4 667 661**

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	8 095 710	2 820 718
Impairment Losses recognised	118 063	5 274 992
Impairment Losses reversed		
Balance at end of year	**8 213 773**	**8 095 710**

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furtermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all other Receivables are recoverable within normal credit terms.

	2014 R	2013 R

5. VAT RECEIVABLE

Vat Receivable	**1 167 520**	**234 141**

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

6. CASH AND CASH EQUIVALENTS

Current investment deposits	10 719	498 037
Bank Accounts	8 277 249	5 072 555
Total bank balances	**8 287 968**	**5 570 592**
Cash on hand	310	310
Total Bank, Cash and Cash Equivalents	**8 288 278**	**5 570 902**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The total bank balances at year end are all casah accounts and the money is availble immediately on request. Therfore there are no call deposit accounts that need to be seperately disclosed.

The Municipality has the following bank and investment deposit accounts:

Account number / description	**Bank statement balances**		**Cash book balances**	
	30-Jun-14	**30-Jun-13**	**30-Jun-14**	**30-Jun-13**
Bank accounts				
ABSA Bank Ltd - Current Account (Primary account) - 405 280 5864	2 435 015	347 578	2 539 296	394 294
ABSA Bank Ltd - Cheque Account - 19 4015 8695	132 237	81	132 237	81
ABSA Bank Ltd - Cheque Account - 40 5774 2120	1 985 982	734	1 985 982	734
ABSA Bank Ltd - Call Account - 90 7906 4583	172 923	76 423	183 472	90 050
ABSA Bank Ltd - Cheque Account - 19 4015 8687	3 425 941	4 576 514	3 425 941	4 576 514
ABSA Bank Ltd - Savings Account - 91 0220 9606	10 321	10 882	10 321	10 882
ABSA Bank Ltd - Savings Account - 91 9914 8641	10 719	498 037	10 719	498 037
Total	**8 173 138**	**5 510 249**	**8 287 968**	**5 072 555**

6.3 Cash on hand

Cash Floats and Advances	310	310
Total Cash on hand in Cash Floats, Advances and Equivalents	**310**	**310**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

	2014 R	2013 R

7. PROPERTY, PLANT AND EQUIPMENT

Description	2014 Cost	2014 Accumulated depreciation and accumulated impairment	2014 Carrying value	2013 Cost	2013 Accumulated depreciation and accumulated impairment	2013 Carrying value
Land	4 903 499	-53 430	4 850 069	4 903 499	-53 430	4 850 069
Buildings	6 152 145	-2 085 919	4 066 226	6 152 145	-1 835 566	4 316 579
Other property, plant and equipment	22 691 207	-9 093 594	13 597 613	15 341 498	-8 331 530	7 009 968
Infrastructure	354 015 258	-104 388 755	249 626 502	348 917 220	-88 134 928	260 782 292
Community	21 512 865	-8 314 636	13 198 229	18 614 377	-7 714 717	10 899 660
Infrastructure - WIP	11 191 368	-	11 191 368	2 491 635	-	2 491 635
Total	**420 466 341**	**(123 936 334)**	**296 530 008**	**396 420 374**	**(106 070 171)**	**290 350 203**

Reconciliation of property, plant and equipment - 2014 171 178

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-		-	-	-	4 850 069
Buildings	4 316 579	-	-	-	-250 353	-	4 066 226
Other property, plant and equipment	7 009 968	8 420 274	(1 070 565)	-	-762 063	-	13 597 613
Infrastructure	260 782 292	5 150 091	(52 054)	-	-16 253 827	-	249 626 502
Community	10 899 660	2 898 489	-	-	-599 919	-	13 198 230
Infrastructure - WIP	2 491 635	8 699 733	-	-	-	-	11 191 368
	290 350 203	**25 168 587**	**-1 122 619**	**-**	**-17 866 163**	**-**	**296 530 008**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliation of property, plant and equipment - 2013

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 860 935	-	-	-	(10 866)	-	4 850 069
Buildings	5 145 407	58 546	(624 943)	-	(262 431)	-	4 316 579
Other property, plant and equipment	6 626 739	2 188 846	(4 806)	-	(1 800 811)	-	7 009 968
Infrastructure	257 098 308	7 174 567	-	13 515 921	(15 444 941)	(1 561 563)	260 782 292
Community	11 499 739	-	-	-	(600 079)	-	10 899 660
Infrastructure - WIP	13 760 718	2 246 838	-	(13 515 921)	-	-	2 491 635
	298 991 846	**11 668 797**	**(629 749)**	**-**	**(18 119 128)**	**(1 561 563)**	**290 350 203**

No assets are held under finance leases.

Details of properties

The municipality did not pledge any of its assets as security. No restrictions apply to any of the Property, Plant and Equipment of the municipality.

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

8. INTANGIBLE ASSETS

	2014				2013		
	Cost / Valuation	Correction	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated	Carrying value
Computer software	1 590 560		(852 839)	737 721	1 237 990	(569 138)	668 852

Reconciliation of intangible assets - 2014

	Opening	Additions	Amortisation	Total
Computer software	668 852	352 570	(283 701)	737 721

Reconciliation of intangible assets - 2013

	Opening	Additions	Amortisation	Total
Computer software	647 409	166 305	(144 862)	668 852

Pledged as security

None of the intangible assets are pledged as security.

9. INVESTMENT PROPERTY

	2014				2013		
	Cost / Valuation	Correction	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25 971 037	(7 000)	(587 529)	25 376 508	25 971 037	(559 578)	25 411 459

Reconciliation of investment property - 2014

	Opening balance	Correction	Depreciation	Total
Investment property	25 411 459	(7 000)	(27 951)	25 376 508

Reconciliation of investment property - 2013

	Details of property	Depreciation	Total
Investment property	25 439 441	(27 982)	25 411 459

Details of property

Breakdown of investment property

	2014	2013
Land	25 101 100	25 101 100
Adjustments	7 000	
Buildings at cost	869 937	869 937
Accumulated depreciation on buildings	(587 529)	(559 578)
	25 390 508	**25 411 459**

Erven 1073 and 1074 (land only) were transferred in 2009 into the name of new owners.

No investment property has been given as security.
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. CONSUMER DEPOSITS

Electricity and Water	104 700	104 700
Total Consumer Deposits	**104 700**	**104 700**

11. PROVISIONS

Provision for workmens compensation	673 336	673 336
	673 336	**673 336**

Provision for workmens compensation has not been paid for the 2011/2012 financial year. A provision has been raised for the amount outstanding.

No invoice has yet been received for the 2011/2012 financial year. The amount of R 673 336 has been stimated based on the invoice received for the 2012/2013 financial year. The amount will be settled when the invoice is received.

12. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	9 499 213	8 146 258
Staff leave provision	2 288 667	1 963 173
Bonus provision	731 672	662 384
Other payables	13 530 321	5 930 222
Provision for performance bonuses	311 195	344 968
Total Payables	**26 361 068**	**17 047 005**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

Staff leave provision:		
Balance at beginning of year	1 963 173	1 924 971
Contributions to provision	325 494	38 202
Balance at end of year	**2 288 667**	**1 963 173**

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Bonuses provision:		
Balance at beginning of year	662 384	488 392
Contributions to provision	69 288	173 992
Balance at end of year	**731 672**	**662 384**

Bonuses accrue to employees on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Performance bonuses provision:		
Balance at beginning of year	344 968	168 783
Contributions to provision	(33 773)	176 185
Balance at end of year	**311 195**	**344 968**

Performance Bonuses are due to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:		
Local Government: Cacadu District Municipality (IDP Grant)	180 803	-
Provincial: IDP	4 697	120 760
Provincial: LED	237 824	103 333
Cacadu: Flood relief	-	261 713
National: Department of Water Affairs Grant	762 333	-
DPLG Library	207 207	31 278
Housing rectification	1 240 922	-
Disaster Relief Grant	2 127 346	-
MIG grant	-	5 085 061
Total Unspent Conditional Grants	**4 761 132**	**5 602 145**

All the conditions for grants received have been complied with in the current financial year.

14. EMPLOYEE BENEFIT LIABILITIES

Non current liability		
Post-retirement Health Care Benefits Liability	713 747	842 284
Provision for Long Service Awards	1 023 430	905 335
	1 737 177	**1 747 619**
Current portion of long term liability		
Post-retirement Health Care Benefits Liability	73 020	60 908
Provision for Long Service Awards	128 824	199 536
	201 844	**260 444**

14.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	903 192	1 110 194
Contributions to Provision	(123 148)	(222 564)
Increase due to Discounting	67 630	49 717
Expenditure incurred	(60 908)	(34 155)
Reduction due to Re-measurement	-	-
Balance at end of Year	**786 766**	**903 192**
Transfer to Current Provisions	(73 020)	(60 908)
Total Post-retirement Health Care Benefits Liabilty	**713 746**	**842 284**

The assumptions used are based on statistics and market data as at 30 June 2014. The following assumptions, in line with GRAP 25, have been used. Assumptions used at the reporting date:

Discount rates used	8.14%	7.71% #
General inflation	6.14%	6.19% #
Medical inflation	7.64%	7.69% #
Real rate (GAP)	0.46%	0.02% #

Discount rate assumption:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yeilds. However, where the market in these bonds is not significant, the market yeilds on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.14% per annum has been used. The corresponding index-linked yeild at this term is 1.41%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yeild after the market close on 30 June 2014.

Health care cost inflation assumption

This assumption is required to reflect the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.64% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.14%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.46%.

Future inflation assumption:

The expected inflation assumption of 6.14% was obtained from the differential between market yeilds on index-linked bonds consistent with the estimated term of the liabilities (1.41%) and those of fixed interest bonds (8.14%). The next contribution increase was assumed to occur with effect from 1 January 2015.

Net discount rate:

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the “gap” between the two assumptions are more important. This “gap” is referred to as the net discount rate. The net discount rate has increased from 0.02% p.a. to 0.46% p.a. (Derived from a discount rate of 8.14% and the expected medical inflation rate of 7.64%)

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

It has been assumed that husbands will be 4 years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future events. The actual cost of the subsidy will however be dependent on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results.

Real rate of return	Current Assumption 0.02%	0.5% decrease in gap (0.48%)	0.5% increase in gap (0.52%)
Liability	786 767	747 429	826 105
Cost / (Saving)	-	39 338	-39 338

Mortality	Current Assumption PA(90)-1	PA(90)	PA(90)-2
Liability	786 767	747 429	826 105
Cost / (Saving)	-	39 338	-39 338

The amounts recognised in the Statement of Financial Position are as follows:

Balance at the beginning of the year	(903 193)	(1 110 914)
Current service costs		
Interest cost	(67 630)	(49 717)
Benefits paid	60 908	34 155
Actuarial losses / (gains)	123 148	222 564
Total Recognised Benefit Liability	**-786 767**	**-903 912**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	(67 630)	(49 717)
Actuarial losses / (gains)	123 148	222 564
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	**55 518**	**172 847**

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	-786 767	-903 912	-694 843	-610 131	-612 447
Deficit	**-786 767**	**-903 912**	**-694 843**	**-610 131**	**-612 447**

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

14.2 Post-retirement Long Service Awards liability

Balance at beginning of Year	1 104 871	1 076 680
Contributions to Provision	(4 352)	-26 533
Increase due to Discounting	74 918	62 137
Expenditure incurred	(199 536)	-193 977
Current service cost	176 353	186 564
Balance at end of Year	**1 152 254**	**1 104 871**
Transfer to Current Provisions	(128 824)	(199 536)
Total Post-retirement Long Service Awards liability	**1 023 430**	**905 335**

The assumptions used are based on statistics and market data as at 30 June 2014. The following valuation assumptions are consistent with the requirements of GRAP 25.

Discount rate	7.81%	7.44%
General inflation	6.06%	5.80%
Salary inflation	7.06%	6.80%
Real rate (Gap)	0.70%	0.60%

Discount rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. However, where the market in these bonds is not significant, the market yeilds on government bonds consistent with the estimated term of the liabilities should be used. A discount rate of 7.81% per annum has been used. this is derived by using a liability - weighted average of the yeilds corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yeild is 1.18%. These rates do not reflect any adjustment for taxation. These rates were deducedfrom the Johannesburg Stock Exchange (JSE) Zero Coupon bond yeild after the market close on 30 June 2014.

Future Inflation Assumption

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employees salary at the date of award. General salary Inflation in most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation. Thus a general salary infaltion of 7.06% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. The assumption reflects a net discount rate of 0.70%. It has been assumed that the next salary increase will take place on 1 July 2015.

Net Discount Rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the “gap” between the two assumptions are more important. This “gap” is referred to as the net discount rate. The net discount rate is 0.70% per annum. (Derived from a discount rate of 7.81% and the expected salary inflation rate of 7.06%).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

Discount rate	Current Assumption 7,81%	Decrease of 0.5%: 7.31%	Increase of 0.5%: 8.31%

Liability	1 152 254	1 078 486	1 226 022
Cost / (Saving)	-	73 768	-73 768

Retirement	Current Assumption Retire at average age 60	Retire at average age	Retire at average age 57
Liability	1 152 254	1 267 479.40	1 037 028.60
Cost / (Saving)	-	(115 225)	115 225.40

The amounts recognised in the Statement of Financial Position are as follows:

Balance at the beginning of the year	(1 104 871)	(1 076 680)
Current service costs	(176 353)	(186 564)
Interest cost	(74 918)	(62 137)
Benefits paid	199 536	193 977
Actuarial losses / (gains)	4 352	26 533
Total Recognised Benefit Liability	**(1 152 254)**	**(1 104 871)**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	(176 353)	(186 564)
Interest cost	(74 918)	(62 137)
Actuarial losses / (gains)	4 352	26 533
Total Long service award included in Employee Related Costs (Note 23)	**(246 919)**	**(222 168)**

The history of experienced adjustments is as follows:

	2014 R	**2013** R	**2012** R	**2011** R	**2010** R
Present Value of Defined Benefit Obligation	-1 152 254	-1 104 871	-1 076 680	-706 242	-552 215
Deficit	**-1 152 254**	**-1 104 871**	**-1 076 680**	**-706 242**	**-552 215**

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The municipality operates an unfunded defined benefit plan for all it's employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2014 by C Weiss of Arch Actuarial Consulting, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Expenses recognised in the statement of financial performance

15. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions

Environmental rehabilitation

Opening Balance	1 117 227	1 072 445
Increase in provision due to discounting	49 823.94	44 782
Expenditure incurred	-	-
Total Non-Current Provision	**1 167 051**	**1 117 227**

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites have been in existence for the following periods:

Kareedouw	23
Joubertina	53
Krakeelrivier	24
Louterwater	47
Coldstream	41
Woodlands	32
Clarkson	11

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

16. ACCUMULATED SURPLUS

Total Accumulated Surplus	**312 250 517**	**312 113 242**

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

17. PROPERTY RATES

	2014	2013
Rates received		
Residential	7 945 725	7 505 000
Municipal	3 303 229	3 091 707
Agricultural	1 967 748	2 844 666
Medical	8 142	8 401
Schools	60 557	56 409
Less: Income forgone		(63 103)
	13 285 401	**13 443 080**
Valuations		
Residential	1 055 056 750	1 055 056 750
Commercia	298 668 915	298 668 915
State	242 931 390	242 931 390
Agriculture	2 088 128 800	2 088 128 800
Exempted properties	102 060 850	102 060 850
	3 786 846 705	**3 786 846 705**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.
Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Council obtained a condonation from the MEC to extend the validation period of the current valuation role to 1 July 2014. There has therefore been no movement in the valuation from prior year.

A general rate of 5c is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners.

Rates are levied on an annual basis with the final date for payment being on the 7th of each month

18. GOVERNMENT GRANTS AND SUBSIDIES

	2014 R	2013 R
National Equitable Share	31 313 000	28 111 000
Financial Management Grant (FMG)	1 650 000	1 500 000
Provincial: Public works	1 000 000	2 400 000
Grant: District municipality	-	145 000
District Municipality Cacadu	756 071	1 448 360
MIG Grant	21 959 779	11 698 103
Flood Relief Cacadu	1 946 841	1 260 874
Local Government: Cacadu District Municipality	914 250	76 864
Provincial: IDP	116 063	61 971
Municipal Systems Improvement Grant (MSIG)	890 000	800 000
Provincial: Department of Housing Grant	28 325 828	24 960 579
Province Public Works	-	50 000
Provincial: LED	94 784	40 486
National: DWAF	-	250 000
Disaster Relief Grant	6 311 654	-
Depatment of local government - audit fees	-	1 719 945
Total Government Grants and Subsidies	**95 278 270**	**74 523 182**

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

Financial Management Grant (FMG)

Balance unspent at beginning of year		-
Current year receipts	1 650 000	1 500 000
Conditions met - transferred to Revenue	(1 650 000)	(1 500 000)
	-	

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

Local Government: Cacadu District Municipality

Balance unspent at beginning of year	-	26 864
Current year receipts	1 095 053	50 000
Transferred to Revenue	(914 250)	(76 864)
Other Adjustments/Refunds	-	-
	180 803	**-**

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	890 000	800 000
Conditions met - transferred to Revenue	(890 000)	(800 000)
Other Adjustments		-
Transferred to Receivables (see Note 4)	**-**	**-**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Provincial: IDP

Balance unspent at beginning of year	120 760	182 731
Current year receipts	-	(61 971)
Transferred to Revenue	(116 063)	-
	4 697	**120 760**

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Provincial: LED

Balance unspent at beginning of year	103 333	55 829
Current year receipts	229 275	87 990
Transferred to Revenue	(94 784)	(40 486)
	237 824	**103 333**

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality

Flood relief Cacadu

Balance unspent at beginning of year	261 713	-
Current year receipts	1 685 128	1 522 587
Transferred to Revenue	(1 946 841)	(1 260 874)
	-	**261 713**

Grant purpose: The purpose of the grant was for rectification and repairs to infrustructure as a result of flood damages in Koukamma district.

CACADU Local economic development (LED)

Balance unspent at beginning of year	-	
Current year receipts	-	145 000
Transferred to Revenue	-	(145 000)
	-	-

Grant purpose: The purpose of the grant is to provide support to the Local tourism organisations within the Koukamma area with regards to website and brochure development.

National - Department of Water Affairs Grant

Balance unspent at beginning of year	762 333	250 000
Transferred to Revenue	-	(250 000)
	762 333	-

Grant purpose: The purpose of the grant is for the purchasing of water quality monitoring equipment.

District municipality Cacadu

Balance unspent at beginning of year	31 278	-
Current year receipts	932 000	1 479 637
Transferred to Revenue	(756 071)	(1 448 359)
	207 207	**31 278**

Grant purpose: The purpose of the grant is a subsidy for library services in the koukamma district. The subsidy covers salaries, operation and maintenance costs.

MIG Grant

Balance unspent at beginning of year	5 085 061	(979 836)
Current year receipts	16 864 000	17 763 000
Transferred to Revenue	(21 959 779)	(11 698 103)
	(10 718)	**5 085 061**

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

Housing rectification

Balance unspent at beginning of year	(4 525 908)	(1 659 085)
Current year receipts	34 092 658	22 093 756
Transferred to Revenue	(28 325 828)	(24 960 579)
	1 240 922	**(4 525 908)**

Grant purpose: To provide funding for the creation of sustainable RDP houses.

Province Public Works Grant

Current-year receipts	-	50 000
Conditions met - transferred to revenue	-	(50 000)
	-	**-**

Grant purpose: To provide employment to improve the quality of life of poor people through the use of labour intensive delivery methods in the following areas : Road Maintenance and the maintenance of buildings ;Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

Disaster Relief Grant

Balance unspent at beginning of year	-	-
Current year receipts	8 439 000	
Transferred to Revenue	(6 311 654)	
	2 127 346	**-**

Grant purpose: Disater funding granted to the municipality for the repairs and rehabilitation of roads damaged due to flooding in the 2010 financial year.

EPWP

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Transferred to Revenue	(1 000 000)	(1 000 000)
	-	**-**

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labor intensive projects for example: Road Maintenance and the maintenance of buildings; Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

Department of local government - audit fees

Balance unspent at beginning of year	-	1 719 945
Conditions met - transferred to revenue		(1 719 945)
	-	**-**

19. SERVICE CHARGES

Sale of Electricity	1 773 333	1 676 520
Sale of Water	9 762 345	6 871 955
Refuse Removal	3 401 238	2 952 396
Sewerage and Sanitation Charges	7 112 246	6 183 233
Total Service Charges	**22 049 162**	**17 684 104**
Attributable to:		
Continuing Operations	22 049 162	17 684 104
	22 049 162	**17 684 104**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

20. RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
Premises	342 642	41 849
Halls	101 661	75 117
Houses	8 780	8 780
	453 083	**125 746**
Facilities and equipment		
Rental other	-	5 029
	-	**5 029**
Total Rental of Facilities and Equipment	**453 083**	**130 775**
Attributable to:		
Continuing Operations	453 083	130 775
	453 083	**130 775**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

21. INTEREST EARNED

External Investments:		
Bank Account	165 332	269 680
Short-term deposits	545 035	327 578
Total Interest Earned	**710 367**	**597 258**

22. OTHER REVENUE

Connection fees	63 457	62 641
Valuation certificates	7 440	5 830
Building plan fees	103 171	73 683
Land use application fees	7 584	3 481
Information fees	21 905	59 935
Cemetry fees	69 290	70 378
Recovery	36 816	-
	1 584 437	-
Donations received	30 000	164 023
Sundry other fees	1 139 079	1 290 337
Refuse site	1 140	5 530
Total Other Revenue	**3 064 319**	**1 735 838**
Attributable to:		
Continuing Operations	3 064 319	1 735 838
	3 064 319	**1 735 838**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

23. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	16 911 596	16 680 859
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4 527 316	4 081 899
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 116 186	1 322 434
Housing Benefits and Allowances	232 009	713 596
Overtime Payments	1 997 642	1 517 702
Performance Bonuses	1 382 914	1 685 578
Other employee related costs	675 153	(109 774)
WCA		106 373
Long-service awards	49 361	39 034
Total Employee Related Costs	**27 892 177**	**26 037 701**
Attributable to:		
Continuing Operations	27 892 177	26 037 701
	27 892 177	**26 037 701**

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant. Loans to employees are set out in Note N/A.

No advances were made to employees. Loans to employees are set out in Note N/A.

Included in Employee Related Costs is an amount of R 191 401 (2013: R 39 321) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans. As at 30 June 2014, contributions due in respect of the 2013/2014 reporting period has been paid over to the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager		
Annual Remuneration	692 741	634 020
Performance Bonus	89 172	-
Car and Other Allowances	298 056	201 600
Company Contributions to UIF, Medical and Pension Funds	1 785	98 169
Total	**1 081 754**	**933 789**

Remuneration of the Chief Financial Officer		
Annual Remuneration	658 539	611 545
Performance Bonus	55 506	-
Car and Other Allowances	134 400	120 000
Company Contributions to UIF, Medical and Pension Funds	1 785	16 113
Total	**850 230**	**747 658**
Remuneration of the Manager: Corporate Services		
Annual Remuneration	606 939	625 945
Performance Bonus	55 506	-
Car and Other Allowances	186 000	120 000
Company Contributions to UIF, Medical and Pension Funds	1 785	1 713
Total	**850 230**	**747 658**
Remuneration of the Manager: Developmental Services		
Annual Remuneration	-	-
Performance Bonus	-	-
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	**-**	**-**

The managers' contract expired on 31 May 2012. An Acting Allowance was paid for the period 01 June 2012 to 30 June 2012.

Remuneration of the Manager: Technical Services (Fenn L)		
Annual Remuneration	432 621	418 793
Performance Bonus	-	-
Car and Other Allowances	189 000	87 656
Company Contributions to UIF, Medical and Pension Funds	1 338	1 414
Total	**622 959**	**507 863**
Dismissed in April 2013		
Remuneration of the Manager: Technical Services (Dliwayo D)		
Annual Remuneration	-	227 635
Performance Bonus	-	23 247
Car and Other Allowances	-	71 866
Company Contributions to UIF, Medical and Pension Funds	-	4 336
Total	**-**	**327 084**
Strategic Services (Mpumlwana M)		
Annual Remuneration	502 539	745 945
Performance Bonus	55 506	1 713
Car and Other Allowances	290 400	-
Company Contributions to UIF, Medical and Pension Funds	1 785	-
Total	**850 230**	**747 658**
Community Services (Sompani T)		
Annual Remuneration	553 863	512 285
Performance Bonus	55 506	-
Car and Other Allowances	298 477	123 600
Company Contributions to UIF, Medical and Pension Funds	1 785	113 483
Total	**909 631**	**749 368**
Employee costs		
Employee related costs	27 892 177	26 037 701
Directors	5 165 034	4 761 078
	33 057 211	**30 798 779**

24. REMUNERATION OF COUNCILLORS

Mayor	655 551	586 077
Councillors	1 904 050	1 813 380
Councillors' allowances	208 680	139 450
Total Councillors' Remuneration	**2 768 281**	**2 538 907**
Councillors' remuneration		
Goni P	190 405	181 338
Jacobs S	190 405	181 338
Jantjies B	190 405	181 338
Krige R	190 405	181 338
Mntambo N	190 405	181 338
Mohr T	-	151 115
Nelson L	190 405	181 338
Pottie N	190 405	181 338
Rheeders C	190 405	181 338
Strydom F	190 405	181 338
Smit K	190 405	30 223
	1 904 050	1 813 380

In-kind Benefits

The Executive Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.

The councillor salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

25. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	17 866 163	19 680 661
Amortisation: Intangible Assets	(283 701)	144 862
Depreciation: Investment Property	27 951	27 983
Total Depreciation and Amortisation	**17 610 412**	**19 853 506**
Attributable to:		
Continuing Operations	17 610 412	19 853 506
	17 610 412	**19 853 506**

26 FINANCE COSTS

The municipality did not incur any Finance Cost.

Creditors Overdue	(346 188)	(466 314)
Attributable to:		
Continuing Operations	(346 188)	(466 314)
	(346 188)	**(466 314)**

27 BULK PURCHASES

Electricity	2 702 111	2 556 676
Water	35 816	22 464
Total Bulk Purchases	**2 737 927**	**2 579 140**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".

28 CONTRACTED SERVICES

Professional Fees	7 112	58 785
Security Services	1 661 277	1 751 727
General contract expenses	1 176 330	1 043 048
Total Contracted Services	**2 844 719**	**2 853 560**
Attributable to:		
Continuing Operations	2 844 719	2 853 560
Discontinued Operations	-	-
	2 844 719	**2 853 560**

29 GRANTS AND SUBSIDIES PAID

Low income subsidy/ Free basic services	11 120 717	9 411 209
Community projects	33 939 999	29 597 432
Total Grants and Subsidies	**45 060 716**	**39 008 641**

The low income subsidy/ free basic services is in respect of providing basic service levels.

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

The Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

The Mayor makes grants available on own discretion.

30 GENERAL EXPENSES

Included in General Expenses are the following:

Adverts, Printing & Stationary	266 557	352 141
Audit Fees - External	1 975 077	2 331 027
Bank Charges	239 504	197 028
Cemetery fees	25 650	-
Cleaning	41 361	918
Conferences and delegations	91 738	163 552
Consumables	2 051 879	1 956 981
Debt collection	632 390	1 423 379
Entertainment	3 500	-
Electricity purchases	2 644 178	2 538 538
Refreshments	49 321	2 755
Fuel and oil	1 676 665	2 273 090
Insurance	494 720	377 607
Legal expenses	2 237 773	1 531 694
Levies paid	-	256 697
Licence fees - vehicles	106 363	112 693
Medical tests	5 263	-
Other expenses	363 439	1 302 602
Other rentals	33 334	163 480
Postage	21 188	2 902
Printing and stationery	418 337	622 138
Rental of office equipment	258 202	575 328
SPU programs	146 103	-
Subscription and publications	15 722	12 673
Telephone cost	1 644 050	1 515 275
Training	199 865	245 229
Travel and subsistence	967 308	1 321 677
Tourism and publicity	14 574	-
Uniforms and overalls	-	182 609
Total General Expenses	**16 624 061**	**19 462 013**

31 CASH GENERATED BY OPERATIONS

(Deficit) / Surplus for the Year	137 275	(28 415 112)
Adjustment for:		
Investment income		
Depreciation and Amortisation	18 907 196	19 853 506
Impairment Losses on Property, Plant and Equipment	-	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	348 184	464 136
Movements in retirement benefit assets and liabilities	(69 042)	(178 811)
Movements in provisions	49 824	151 155
Changes in working capital:		
(Increase) / Decrease in Inventories	84 546	(311 726)
(Increase) / Decrease in receivables from exchange transactions	(1 947 028)	7 813 232
(Increase) / Decrease in other receivables from non-exchange transactions	3 135 855	3 225 237
Increase / (Decrease) in payables from exchange transactions	9 314 063	1 731 863
(Increase) / Decrease in VAT receivable	(933 379)	1 575 214
Increase / (Decrease) in unspent conditional grants and receipts	(841 013)	5 086 721
Cash generated by / (utilised in) Operations	**28 186 481**	**10 995 415**

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

32.1 Unauthorised Expenditure

Opening balance	(5 491 518)	7 660 590
2012/2013 Expenditure written off by council	-	(7 660 590)
Expenditure relating to audit committee	-	-
Employee costs	-	-
Depreciation	14 961 113	16 113 826
Remuneration of councillors	-	-
Allowance for debt impairment	1 190 667	16 567 095
General expenditure	-	1 169 681
Finance costs	(10 660 262)	305 830
Approved by Council or condoned	-	(39 647 950)
	-	**(5 491 518)**

32.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	305 830	517 863
Fruitless and Wasteful Expenditure current year	346 188	305 830
Condoned or written off by Council	(652 018)	(517 863)
	(0)	**305 830**

32.3 Irregular Expenditure

Opening balance	20 011 302	11 470 985
Add: Irregular Expenditure - prior year		-
Bridging of the supply chain policy	28 325 828	20 011 302
Condoned or written off by Council	(48 337 130)	(11 470 985)
	(0)	**20 011 302**

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Material losses

Distribution losses on electricity	2 340 675	880 156
Distribution losses on water	2 601 815	2 656 754
	4 942 490	**3 536 910**

Accounting for unaccounted for water losses:	**2014**	**2013**		
Total water usage as per standard norm (CSRI)	Litres per annum	Litres per annum		
Households	586 482	586 482	2 340 675	
Non households	48 107	48 107		
Total accounted for water	**634 589**	**634 589**		

Audit fees

Opening balance		#REF!	3 541 553
Current year audit fee		2 251 587	2 449 241
Current year Interest		249 261	
Interest paid		(94 063)	288 711
Amount paid - previous years		(415 306)	(3 492 857)
		#REF!	**6 279 505**

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality. An agreement was reached with the Auditor General with regards to the settlement of the debt.

PAYE and UIF

Current year payroll deductions	4638133.24	4 258 192
Amount paid - current year	(4 317 697)	(3 925 513)
	320 437	**332 679**

Pension and medical aid deductions

Current year payroll deductions and Council contributions	6 535 350	6 227 095
Amount paid - current year	(5 735 980)	(5 730 872)
	799 369	**496 223**

VAT

VAT receivable	933 379	1 167 520	234 141
		1 167 520	**234 141**

34 COMMITMENTS FOR EXPENDITURE

34.1 Capital Commitments

Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**70 696 238**	**103 954 834**
Infrastructure	60 606 251	102 658 280
Community	8 740 243	-
Other	1 349 744	1 296 554
Total Capital Commitments	**70 696 238**	**103 954 834**
This expenditure will be financed from:		
Government Grants	70 696 238	103 954 834
Own Resources	-	-
	70 696 238	**103 954 834**

35 FINANCIAL INSTRUMENTS

Categories of financial instruments

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

	At amortised cost	Total
Financial Assets- 2014		
Receivables from Exchange Transactions	5 491 873	5 491 873
Receivables from Non-exchange Transactions	8 902 489	8 902 489
Cash and Cash Equivalents	8 287 968	8 287 968
	22 682 330	**22 682 330**
Financial Liabilities- 2014		
Payables from exchange transactions	26 361 068	26 361 068
Customer deposits	104 700	104 700
Unspent conditional grants	4 761 132	4 761 132
	31 226 900	**31 226 900**
Financial Assets- 2013		
	-	-
Receivables from Exchange Transactions	3 544 845	3 544 845
Receivables from Non-exchange Transactions	12 038 345	12 038 345
Cash and Cash Equivalents	5 570 901	5 570 901
	21 154 091	**21 154 091**
Financial Liabilities- 2013		
Payables from exchange transactions	17 047 005	17 047 005
Customer deposits	104 700	104 700
Unspent conditional grants	5 602 144	5 602 144
	22 753 849	**22 753 849**

Risk management

Financial risk management
The municipality's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk and cash flow interest rate risk)

Liquidity risk
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality intends to pay creditors within 30 days.

Credit risk
Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing.

Financial assets exposed to credit risk at year end were as follows:	**2014**	**2013**
Trade and other receivables from exchange transactions	5 491 873	3 544 845
Other receivables from non-exchange transactions	8 902 489	12 038 345
Cash and cash equivalents	8 287 968	5 570 902

	2014 R	2013 R

37. RELATED PARTY TRANSACTIONS

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Relationships

Members of key management	
Municipal Manager	**S Nkhulu**
Chief Financial Officer	**N Venter**
Manager: Community Services	**TM Sompani**
Manager: Corporate Services	**M Zenzile**
Manager: Strategic Services	**M Mpumlwana**
Manager: Technical Services	**L Fenn**
Mayor	**Vuso MS**
Councillors	**Goni P**
	Jacobs S
	Jantjies B
	Krige R
	Mntambo N
	Nelson L
	Pottie N
	Rheeders C
	Strydom F
	Smith K

Individuals as well as their close family members, and/or entities are related parties if one party has the ability , directly or indirectly, to control or jointly control the other party to exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager.

	2014 R	2013 R

38. CONTINGENT LIABILITIES

	2014	2013
Mr Cherry		
Cherry was dismissed by the municipality for fraudulent misrepresentation, the cost at the Bargaining council and is now subjecting to the Labour law court for review.		
Probable loss	-	200 000
Gerber (Uitkyk tip site)		
The applicant instituted an application against Kou-Kamma for the closure of the Uitkyk waste disposal site. The site is currently illegal and permit is being solicited.		
Probable loss	300 000	300 000
Boqwana Ntlabezo Inc		
Instuted action via summons against Kou-Kamma for services rendered	231 038	231 038

		2014 R	2013 R
Dernand Eiendomme - veld fire			
Third party caused fire which damaged a farm and the municipality is being included in the proceedings for failure to properly extinguish fire.			
Probable loss		-	3 200 000
Jora			
Damage of motor vehicle due to pothole.			
Probable loss		-	58 000
T Mohr and Oudshoorn			
These employees were employed by the municipality and are not claiming benefits which according to them were not given/paid out to them.			
Probable loss		-	1 400 000
MTO - Forrestry			
Reckless issuing of a fire permit by the municipality, which caused fire damage. This case has currently been taken off the trial roll pending the liquidation of the first defendant.			
Probable loss		-	5 817 290
Spellman			
SALGBC rules against Kou-Kamma municipality and ordered reimstatement with pay back			
Probable loss		-	900 000
Gobo Gcora Construction and Projects CC			
Cancellation/repudiation of the agreement, claim for damages suffered by the applicant.			
Probable loss		-	5 000 000

39. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

Secondment of International Finance Advisor by National Treasury for two years. The contract expired in March 2014.

40. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

41. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014

42. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

The municipality developed a Financial Recovery Plan to address the cash flow challenges experienced at the beginning of the 2013/14 financial year and is currently implementing stingent debt collection and credit control procedures. This plan has resulted in the municipality improving its cash and cash equivalents position from a balance of R 5 570 902 for the 2012/2013 financial year to R 8 288 279 as at the end of June 2014. The municipality has also secured a bank overdraft in the amount of R5 million to cover short term cash shortfalls as and when the need arises – to date this facility has not been used.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.